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**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

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*Bankruptcy Counsel to Lead Plaintiff
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In re:

PG&E CORPORATION

- and -

PACIFIC GAS AND ELECTRIC
COMPANY,

Debtors.

Case No. 19-30088 (DM) (Lead Case)

Chapter 11

(Jointly Administered)

- ☒ Affects Both Debtors
☐ Affects PG&E Corporation
☐ Affects Pacific Gas and Electric Company

**DECLARATION OF TY R. SAGALOW
PURSUANT TO 28 U.S.C. § 1746 IN
SUPPORT OF SECURITIES LEAD
PLAINTIFF'S LIMITED OBJECTION TO
FOURTH MONTHLY FEE STATEMENT
OF SIMPSON THACHER & BARTLETT
LLP FOR ALLOWANCE AND PAYMENT
OF COMPENSATION AND
REIMBURSEMENT OF EXPENSES FOR
THE PERIOD OF JULY 1, 2019 THROUGH
JULY 31, 2019 [ECF NO. 4032]**

1 I, Ty R. Sagalow, pursuant to 28 U.S.C. § 1746, declare as follows:

2 **I. Scope of Assignment**

3 1. I was asked by counsel for Public Employees Retirement Association of New
4 Mexico (“Lead Plaintiff”), the court-appointed lead plaintiff in the securities class action captioned
5 as *In re PG&E Corporation Securities Litigation*, Case No. 3:18-cv-03509-RS (N.D. Cal.) (the
6 “Securities Litigation”), on behalf of itself and the proposed class it represents in the Securities
7 Litigation, together with York County on behalf of the County of York Retirement Fund, City of
8 Warren Police and Fire Retirement System, and Mid-Jersey Trucking Industry & Local No. 701
9 Pension Fund, to opine on directors’ and officers’ (“D&O”) liability insurance coverage in the
10 context of requests for payment by the above-captioned debtors in possession (the “Debtors”) of
11 the legal fees and expenses of Simpson Thacher & Bartlett LLP (“Simpson Thacher”) on behalf
12 of certain of the Debtors’ current and former independent directors who are defendants in the
13 Securities Litigation (the “Independent Director Defendants”).

14 2. In connection with this analysis, I have reviewed (a) the *Fourth Monthly Fee*
15 *Statement of Simpson Thacher & Bartlett LLP for Allowance and Payment of Compensation and*
16 *Reimbursement of Expenses for the Period of July 1, 2019 Through July 31, 2019* (the “Fourth Fee
17 Statement”) [ECF No. 4032] filed by Simpson Thacher, and (b) Lead Plaintiff’s objection to the
18 Fourth Fee Statement (the “Objection”). I have also reviewed two primary D&O policies issued
19 by Associated Electric Gas Insurance Services Ltd. to Debtors that I understand are at issue in this
20 action: (1) policy number DP008417P for the policy period from May 20, 2017 to May 20, 2018
21 and (2) policy number DP008418P for the policy period from May 20, 2018 to May 20, 2019 (the
22 “D&O Policies”).

23 **II. Qualifications**

24 3. In my more than 35 years of professional experience, I have developed an expertise
25 in D&O insurance.

26 4. I spent most of my career at AIG Executive Liability (formerly National Union Fire
27 Insurance Company of Pittsburgh, PA), the world’s largest carrier of D&O insurance. I held
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1 various positions with AIG, including Chief Operating Officer of AIG eBusiness Risk Solutions,
2 President of AIG Product Development, Chief Underwriting Officer, and General Counsel.

3 5. As General Counsel, I personally wrote, or led teams that wrote, all of the D&O
4 policies and many of the professional liability policies that AIG produced between 1988 and 2000.
5 As AIG Executive Liability's Chief Underwriting Officer, I was charged with all underwriting
6 interpretations and decisions for AIG D&O policies.

7 6. Following AIG, I headed up a team that rewrote all D&O policies for Zurich North
8 America.

9 7. In 2015, I became a founding member of Lemonade Group, its founding Chief
10 Insurance Officer and founding Chief Executive Officer of Lemonade Insurance
11 Company. Lemonade is the first licensed and regulated InsureTech insurance company in the
12 United States. I continue to serve on the Board of Directors of the Lemonade Insurance Company.

13 8. I am currently Chief Executive Officer of the Innovation Insurance Group LLC, an
14 insurance consulting firm and insurance brokerage firm I founded in 2012.

15 9. I graduated summa cum laude from Long Island University and cum laude from
16 Georgetown University Law Center, and earned an LLM from New York University School of
17 Law.

18 **III. The D&O Policies and Other Materials Reviewed**

19 10. Based on my review, I understand that the D&O Policies provide, as is typical in
20 most primary D&O insurance policies, (a) "Side A D&O Coverage" to the Independent Director
21 Defendants and other director and officer defendants in the Securities Litigation (together with the
22 Independent Director Defendants, the "Individual Defendants"), for losses that the Debtors do not
23 indemnify; (b) "Side B D&O Coverage" to the Debtors, for losses they incur indemnifying the
24 Individual Defendants; and (c) "Side C D&O Coverage" to the Debtors, for losses they incur on
25 account of securities claims made directly against them.

26 11. Consistent with industry practice, both D&O Policies contain "Priority of
27 Payments" provisions that provide that the insurer must pay claims under Side A D&O Coverage
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1 first, and can pay Side B D&O Coverage and Side C D&O Coverage “only if and to the extent the
2 payment under [Side A D&O Coverage] does not exhaust the applicable Limit of Liability.” The
3 D&O Policies confirm that the priority of Side A D&O Coverage over Side B D&O Coverage and
4 Side C D&O Coverage remains the same in the event the Insured Organization enters into Chapter
5 11 proceedings: “[i]f Directors or Officers incur Ultimate Net Loss covered under [Side A D&O
6 Coverage], the Insured Organization, including any bankruptcy trustee, debtor-in-possession or
7 any other successor of the Insured Organization, shall have no interest in or claim for any payments
8 under this Policy until all such Ultimate Net Loss is paid in full by the Insurer.”

9 **IV. Purposes of Side A D&O Coverage**

10 12. In my career, I have drafted numerous D&O policies to address the possibility of
11 bankruptcy and to confirm that individual directors and officers will have direct access to the
12 insurance policies in the event that the Company is precluded as a matter of law from providing
13 indemnification to those individuals.

14 13. One of the industry’s most articulated primary purposes of D&O insurance is to
15 protect individual corporate directors and officers against lawsuits and claims arising from their
16 conduct as directors and officers. Based on my more than 35 years of professional experience and
17 the express terms of the D&O Policies (including the Priority of Payments provisions), it appears
18 that the D&O Policies are drafted to ensure that, in the event of bankruptcy, the proceeds of the
19 D&O policies would remain available for the individual directors and officers until all claims
20 under the Side A D&O Coverage are paid in full. This concept would apply to the benefit of the
21 Individual Defendants, including to directly pay defense costs such as those sought by Simpson
22 Thacher from the Debtors in connection with the Securities Litigation, to the extent reasonable and
23 necessary, whether through the Fourth Fee Statement or otherwise.

24 14. Lead Plaintiff argues in the Objection that the Debtors are, as a matter of law,
25 prohibited for various reasons from indemnifying the Individual Defendants for their defense costs
26 in the Securities Litigation. (Indeed, in my more than 35 years of professional experience, other
27 than pre-packaged bankruptcies, I do not recall ever seeing a chapter 11 debtor provide post-
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1 petition indemnification to individual directors and officers in connection with the defense of
2 securities litigation arising from entirely pre-petition conduct.) Assuming Lead Plaintiff's
3 argument is correct, the Side A D&O Coverage exists to provide and should provide, and the D&O
4 Policies require the insurers to provide, first-dollar coverage for direct payment of such fees to the
5 extent reasonable and necessary.

6 I declare under penalty of perjury under the laws of the United States of America that the
7 foregoing is true and correct.

8 Executed on October 21, 2019

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11 _____
12 Ty R. Sagalow